

DEPARTMENT OF SOCIAL SERVICES  
744 P Street, Sacramento, CA 95814



January 24, 1990

**ALL COUNTY LETTER NO. 90-08**

**TO:** ALL COUNTY WELFARE DIRECTORS  
ALL AFDC PROGRAM COORDINATORS

**SUBJECT:** CHANGES IN THE IMPLEMENTATION INSTRUCTIONS REGARDING THE EARNED  
INCOME DISREGARDS AND EARNED INCOME TAX CREDIT (EITC) EFFECTIVE  
OCTOBER 1, 1989

**REFERENCE:** ACIN I-43-89, DATED JUNE 23, 1989  
ACL 89-69, DATED JULY 31, 1989  
ACL 89-80, DATED SEPTEMBER 5, 1989

The purpose of this letter is to inform counties of a change in the method of implementing the income disregard changes that were required by the Family Support Act of 1988, and were effective October 1, 1989. Counties are required to implement the changes upon receipt of this All County Letter (ACL).

The standard work expense disregard was increased to \$90, the child care disregard was increased up to \$175 (or up to \$200 for children under age 2) and the Earned Income Tax Credit (EITC) will no longer be counted as income. Additionally, the child care disregard is now applied after all other disregards. The new instruction is:

In continuing cases where income is received in August 1989 and September 1989, October 1989 and November 1989 will be the respective payment months. In these two months, the new amounts and order of the income disregards shall be used in the determination of the grant for October 1989 and November 1989. EITC will not be counted.

For new cases in either October 1989 or November 1989, there are no changes necessary.

As the result of recent instruction received from the Department of Health and Human Services (DHHS) via Federal Action Transmittal Number FSA-AT-89-54 dated November 22, 1989, the instructions that were previously provided to the counties in All County Letter Numbers 89-69 and 89-80 are now superseded. Counties were previously instructed to apply the earned income disregard and EITC changes to the income in October. The Federal instructions now require States to implement the earned income disregard and EITC changes with the income received in August so that the changes are effective with grants beginning in October.

Counties therefore are instructed to review all cases with earned income and or EITC in the months of August and September to correct any action that may have affected the case had the changes been applied in these months. This would include both continuing and discontinued cases. Should an adjustment in the case be necessary, Counties are required to issue a payment to those cases as soon as administratively possible.

#### OVERPAYMENTS

The county may have cases that are affected by this new instruction in which an overpayment due to some other reason occurred in October and/or November. The County will balance outstanding overpayments against any underpayment in accordance with MPP Section 44-351.3.

#### REDUCED INCOME SUPPLEMENTAL PAYMENTS

The county is not to make an overpayment determination on reduced income supplemental payments (RISP) received in October or November. This is based upon MPP Section 44-350.17 which requires that a RISP shall not be subject to an overpayment determination when the RISP was correctly computed based on the assistance unit's reasonable estimate of income and other circumstances for the payment month.

Counties will be required to send a Notice of Action to any family which was underpaid. Attached is language to be used in situations where an underpayment has occurred in October and /or November.

We apologize for the inconvenience resulting from this retroactive policy reversal. We will endeavor to work with the Federal government to impress upon them the difficulties such changes create, and we intend to preclude this sort of problem from happening in the future.

If you have any questions, please contact Ms. Sandra Poole-Taylor of the AFDC and FS Policy Implementation Bureau at (916) 324-2661 or ATSS 454-2661.



ROBERT A. HOREL  
Deputy Director

cc: CWDA

Attachments

State of California  
Department of Social Services

Manual Msg. No.: M44-340  
Action: Approve  
Reason: Underpayment  
Title: Notice of Cash Aid  
Payment  
Form No.: NA200  
Effective Date: 01/19/90  
Revision Date:

Auto ID No.:  
Flow Chart No.:  
Source: FSA  
Regulation Cite: 44-340.1, .3, .4

MESSAGE: As of \_\_\_\_\_, the County has approved a payment of  
\$\_\_\_\_\_.

Here's why:

You were underpaid because we used the old income deductions.

We gave you \$\_\_\_\_\_ for \_\_\_\_\_ (and \$\_\_\_\_\_ for \_\_\_\_\_). You  
should have been paid the amount(s) figured on this notice.

You'll be sent a check for the amount that you were underpaid.

INSTRUCTIONS: Use to notify clients of an underpayment and the amount  
that they will be paid.

Fill in the effective date of underpayment approval and the underpayment  
amount.

Show the old cash aid payment along with the month and year.  
If there are two months of underpayment use the option in the  
parenthesis and complete as above.

Show the correct cash aid amount computation on the right side of the  
form. If there is a second month of underpayment attach a second month  
cash aid computation as a page 2.